

ARTICLE APPEARED

ON PAGE 36

16 April 1986

INTERNATIONAL

A Turkish Town Embraces Modernization

By PHILIP REVZIN

Staff Reporter of THE WALL STREET JOURNAL

CANKIRI, Turkey — The green-domed Tas Mescit, built by the invading Seljuk Turks in 1235 A.D., was an early insane asylum, where music therapy helped people adapt to the societal upheaval caused by assorted marauding tribes.

Today Cankiri is engulfed in another kind of upheaval, as Western culture invades. But the Tas Mescit is in ruins. Today's music therapy is piped through Sony Walkmans into the heads of Cankiri's youth.

At the Beskant Kebab Salon, dinner conversation stops for the 8 o'clock news on the giant color television. There is film of Ronald Reagan and Mikhail Gorbachev, and scenes of Turkish Prime Minister Turgut Ozal greeting Dutch and Japanese VIPs in Ankara. "Dallas" and "Falcon Crest" are hits. Commercials urge Turks to buy Italian spaghetti and German dishwashers. Shop signs in town read AEG, Goodyear, Volvo, Renault.

Cankiri has learned to coexist. As a black-robed peasant crawls on her knees gathering scraps of wood from the sidewalk in the middle of town, a bulldozer clears a new park. As women in traditional, brightly colored cotton pants tend hazelnut trees on a hillside, a crane lifts the last huge boiler into the new salt refinery.

Open-Door Policy

Like the rest of Turkey, Cankiri is opening up to the outside world and building at a dizzying pace. Mr. Ozal isn't waiting for foreign investment levels to match the praise heaped on him by Western governments for his free-market policies.

Constantly invoking the ghost of Mustafa Kemal Ataturk, the founder of modern Turkey whose statue graces the main street of Cankiri and most other towns, Mr. Ozal says he wants to complete the Westernization of Turkey by taking it into the Common Market. To get ready, he is pouring billions of government dollars, mostly borrowed from abroad, into new sewers, new houses and new factories. By the end of next year every village in Turkey will have electricity and automatic telephone equipment, a development "unimaginable five years ago" boasts Adnan Kahveci, an aide to Mr. Ozal.

It's a gamble similar to those unsuccessfully tried by countries such as Brazil and Mexico. But Mr. Ozal swears Turkey will succeed, because he has opened up the country to trade and investment, liberalized foreign exchange and banking laws, and is investing in power plants and other



structural necessities that will eventually let Turkey make and export more goods.

Right now, the thundering development all over Turkey is little more than the brick and mortar manifestation of Turkey's \$22 billion foreign debt. So far, Turkey is current on debt repayments, and wins praise from the International Monetary Fund and other groups, but each month it must struggle to find cash. Turkish exports have nearly tripled in five years to \$8 billion last year, but more are needed to allow Turkey to pay its bills.

The West is pulling for Mr. Ozal. Turkey is strategically located, bordering Greece, Bulgaria, Russia, Iran, Iraq and Syria. It is a gateway to the Middle East, a listening post for U.S. intelligence, and a big recipient of U.S. military aid. The U.S. wants Turkey economically healthy, politically stable in an unstable region, and a viable model of how free-market policies can work in the Third World.

Mr. Ozal wants multinationals to finance, build, and operate hydroelectric and nuclear power plants, for example, in return for a guaranteed market for the power. This scheme, called the Build, Own and Operate Model, or Boom, by the Turks, is described as "a brilliant idea to get plants built without incurring more debt" by an American business adviser here.

Westinghouse Electric Corp., BBC Brown, Boveri & Co. of Switzerland, and others are negotiating Boom projects, but nothing has been signed.

Mr. Ozal is also prodding Turkish businessmen to invest more in new and bigger factories, but they complain about the 60% interest rates at Turkish banks. "Capital is our biggest problem," says Asaf Guneri, chairman of Zihni Group, an Istanbul-based shipping company. "There isn't any." Mr. Kahveci, the Ozal aide, retorts that businessmen should "sell their villas" and invest more of their profits.

Tough Problems

Turkey's frenetic construction is all the more remarkable when compared to the near-anarchy and 130% inflation of the late 1970s. Mr. Ozal still has problems, including a 40% inflation rate, high joblessness, annual per-capita national income of little more than \$1,000, and a vigorous political opposition that is 12 percentage points ahead of him in opinion polls. But even the opposition supports Mr. Ozal's free-market approach.

The first results of modernization can be seen most clearly in places like Cankiri. Its municipal budget, not untypically, has increased sixfold in five years to the equivalent of \$4 million a year. Mayor Mustafa Kale is getting the town ready to support three times the present 50,000 population by the year 2010. He is building 1,500 houses this year. The post office-telephone center has been refurbished. The new town library, cultural center and museum are open. The woolen mill, the flour mill and the railroad switch factory are expanding.

The biggest thing here is the new rifle and cannon factory, being built for the military with advice from General Dynamics Corp. It will cost \$600,000, employ 1,000 workers, and hopes to export some of its production.

"It's like living on a giant construction site," says the mayor with satisfaction as he lights up a Marlboro 100 cigarette.

Isn't it all coming a little too fast? "Not too fast. Too slow," he says, stubbing out his cigarette in a gold-trimmed onyx ashtray.

The mayor pauses to sign a few papers bustled in by his secretary. He winces a little as he mentions the 12,000 Cankiri residents who still work in West Germany and France because there are no jobs for them here. "We'd like them to be able to come home."

About 2,000 of these exiles have invested in the mayor's two pet projects, the salt refinery and the woolen mill, both of which are majority-owned by the city. They are Cankiri's best hopes for exports, and if the plants succeed, the mayor will use them to try to attract foreign investment.